

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**HB 1853 - SB 1844**

February 9, 2016

**SUMMARY OF BILL:** Authorizes a student from a border state to receive in-state tuition at a state institution of higher education; provided the student has met all necessary admission requirements, effectively eliminating out-of-state tuition and fees for such students. Defines a border state as Kentucky, Virginia, North Carolina, Georgia, Alabama, Mississippi, Arkansas and Missouri.

**ESTIMATED FISCAL IMPACT:**

**Decrease State Revenue - Net Impact -**

**\$27,798,300/TBR/FY16-17**

**\$23,249,900/UT/FY16-17**

**Exceeds \$28,633,000/TBR/FY17-18 and Subsequent Years**

**Exceeds \$23,947,600/UT/FY17-18 and Subsequent Years**

Assumptions relative to revenue loss for the Tennessee Board of Regents:

- According to the Tennessee Board of Regents (TBR), TBR institutions collected a total of \$101,238,913 in revenue from out-of-state tuition and fees in FY15-16.
- TBR estimates that 33 percent of out-of-state tuition and fee revenue, or \$33,408,841 (\$101,238,913 x 33%), is currently collected from students with a permanent residence in one of the identified Tennessee border states.
- Using the estimated tuition collection from out-of-state border students from FY15-16 as the baseline and assuming a three percent annual increase in tuition and fees in FY16-17 and subsequent fiscal years; the decrease in state revenue to TBR institutions in FY16-17 is estimated to be \$34,411,106 (\$33,408,841 x 103.0%) and an amount exceeding \$35,443,439 (\$34,411,106 x 103.0%) in FY17-18 and subsequent fiscal years.

Assumptions relative to additional students attending TBR Institutions:

- Additional revenue will be collected as a result of more border state students enrolling at TBR institutions.
- Based on information from TBR, 3,532 border state students currently attend a TBR university and 745 border students currently attend a TBR community college.
- Based on the projected border state enrollment increase at the University of Arkansas and information from TBR, it is estimated that border state enrollment will increase by

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at least 20 percent which will result in 706 ( $3,532 \times 0.20$ ) new TBR university students and 149 ( $745 \times 0.20$ ) new community college students.

- The average in-state tuition and fee rate at a TBR university is \$8,219 in FY15-16.
- The average in-state tuition and fee rate at a TBR community college is \$4,143 in FY15-16.
- In-state tuition and fees is estimated to increase by three percent annually for all TBR colleges and universities.
- In-state tuition and fees at TBR universities is estimated to be \$8,466 ( $\$8,219 \times 103.0\%$ ) in FY16-17 and exceed \$8,719 ( $\$8,466 \times 103.0\%$ ) in FY17-18 and subsequent years.
- In-state tuition and fees at community colleges is estimated to be \$4,267 ( $\$4,143 \times 103.0\%$ ) in FY16-17 and exceed \$4,395 ( $\$4,267 \times 103.0\%$ ) in FY17-18 and subsequent years.
- The increase in state revenue across all TBR institutions is estimated to be \$6,612,779 [ $(\$8,466 \times 706) + (\$4,267 \times 149)$ ] in FY16-17; and an amount exceeding \$6,810,469 [ $(\$8,719 \times 706) + (\$4,395 \times 149)$ ] in FY17-18 and subsequent years.

Assumption relative to the net impact to TBR:

- The net decrease in state revenue to TBR is estimated to be \$27,798,327 ( $\$34,411,106 - \$6,612,779$ ) in FY16-17; and is estimated to exceed \$28,632,967 ( $\$35,443,439 - \$6,810,469$ ) in FY17-18 and subsequent fiscal years.

Assumptions relative to revenue loss at the University of Tennessee:

- According to the University of Tennessee (UT), UT institutions collected a total \$71,497,107 in revenue from out-of-state tuition and fees in FY15-16.
- UT estimates that 40 percent of out-of-state tuition and fee revenue, or \$28,598,843 ( $\$71,497,107 \times 40\%$ ), is currently collected from students with a permanent residence in one of the identified border states.
- Using the estimated tuition collection from out-of-state border students from FY15-16 as the baseline and assuming a three percent annual increase in tuition and fees in FY16-17 and subsequent fiscal years; the estimated decrease in revenue to UT institutions in FY16-17 is estimated to be \$29,456,808 ( $\$28,598,843 \times 103.0\%$ ) and an amount exceeding \$30,340,512 ( $\$29,456,808 \times 103.0\%$ ) in FY17-18 and subsequent fiscal years.

Assumptions relative to additional students attending UT:

- Additional revenue will be collected as a result of more border state students enrolling at UT institutions.
- Based on information from UT, 2,837 border state students currently attend a UT institution.
- Based on the projected border state enrollment increase at the University of Arkansas and information from UT, it is estimated that border state enrollment will increase by at least 20 percent which will result in 567 ( $2,837 \times .20$ ) new UT students.
- The average in-state tuition and fees at a UT institution is \$10,628 in FY15-16.

- In-state tuition and fees are estimated to increase by three percent annually for all UT institutions.
- In-state tuition and fees at a UT institution is estimated to be \$10,947 (\$10,628 x 103.0%) in FY16-17 and exceed \$11,275 (\$10,947 x 103.0%) in FY17-18 and subsequent years.
- The increase in state revenue across all UT institutions is estimated to be \$6,206,949 (\$10,947 x 567) in FY16-17 and to exceed \$6,392,925 (\$11,275 x 567) in FY17-18 and subsequent fiscal years.

Assumption relative to the net impact at UT:

- The net decrease in state revenue to UT is estimated to be \$23,249,859 (\$29,456,808 - \$6,206,949) in FY16-17; and is estimated to exceed \$23,947,587 (\$30,340,512 - \$6,392,925) in FY17-18 and subsequent fiscal years.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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